

LEE H. HAMILTON, INDIANA, CHAIRMAN

ROOM H-406, U.S. CAPITOL  
(202) 225-4121

LOUIS STOKES, OHIO

DAVE MCCURDY, OKLAHOMA

ANTHONY C. BRILENSON, CALIFORNIA

ROBERT W. KASTENMEIER, WISCONSIN

DAN DANIEL, VIRGINIA

ROBERT A. ROE, NEW JERSEY

GEORGE E. BROWN, JR., CALIFORNIA

MATTHEW F. BUCHHUGH, NEW YORK

BERNARD J. DWYER, NEW JERSEY

BOB STUMP, ARIZONA

ANDY IRELAND, FLORIDA

HENRY J. HYDE, ILLINOIS

DICK CHENEY, WYOMING

BOB LIVINGSTON, LOUISIANA

BOB MCEWEN, OHIO

## U.S. HOUSE OF REPRESENTATIVES

PERMANENT SELECT COMMITTEE

ON INTELLIGENCE

WASHINGTON, DC 20515

Executive Registry

86-3230X

THOMAS K. LATIMER, STAFF DIRECTOR

MICHAEL J. O'NEIL, CHIEF COUNSEL

STEVEN K. BERRY, ASSOCIATE COUNSEL

July 18, 1986

Honorable William J. Casey  
Director of Central Intelligence  
Washington, D. C. 20505


Dear Mr. Casey:


The Committee has received from your Office of Congressional Affairs information concerning the adverse effects on the Agency of the expected change in pension contribution recovery rules under H.R. 3838, the Tax Reform Act of 1986. Other federal agencies also have reported increases in retirements by senior employees who have decided to retire under the current favorable pension taxation rules rather than waiting to retire and incurring a substantial economic loss due to the Tax Reform Act's taxation of annuity payments representing recovered employee pension contributions.

As you know, both the House and the Senate versions of the legislation eliminate the existing special rule for tax-free recovery of pension contributions after retirement. Because both Houses have adopted provisions on this subject which are identical except as to effective date, no reversal of the decision to eliminate the special rule can be expected in the House-Senate conference on the bill.

We would appreciate being kept informed of your retirement statistics in the coming months and, in particular, of the number of retirements in which the retiring individual informs you that the reason for retirement is avoidance of the effects of the elimination of the pension contribution recovery rule. [We would appreciate also being kept abreast of the Agency's plans to cope with the expected loss of experienced senior managers.]

Sincerely,

  
Lee H. Hamilton  
Chairman

  
Bob Stump  
Ranking Minority Member